

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY,)

Approval of the Energy Efficiency and)
Demand-Response Plan Pursuant to Section 12-103(f) of)
the Public Utilities Act)

Docket No. 07-0540

Direct Testimony of
PAUL R. CRUMRINE
Director, Regulatory Strategies & Services
Commonwealth Edison Company

OFFICIAL FILE
I.C.C. DOCKET NO. 07-0540
ComEd Exhibit No. S-0, S-1, S-2, S-3
Witness _____
Date 1/4/08 Reporter _____

November 15, 2007

ComEd Ex. 5.0

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1 **I. Introduction and Purpose**

2 **A. Identification of Witness**

3 Q. Please state your name and business address.

4 A. Paul R. Crumrine, Commonwealth Edison Company ("ComEd"), 440 South LaSalle
5 Street, Suite 3300, Chicago, Illinois 60606.

6 Q. By whom are you employed and in what capacity?

7 A. I am employed by ComEd as its Director, Regulatory Strategies and Services.

8 **B. Purposes of Testimony**

9 Q. What are the purposes of your direct testimony?

10 A. The purpose of my direct testimony is to fulfill the requirements of subsections (3) and
11 (6) of Section 12-103(f) of the Public Utilities Act ("Act"), which state in relevant part:

12 In submitting proposed energy efficiency and demand-response
13 plans and funding levels to meet the savings goals adopted by this
14 Act the utility shall:

15 * * * *

16 (3) Present estimates of the total amount paid for electric
17 service expressed on a per kilowatthour basis associated
18 with the proposed portfolio of measures designed to meet
19 the requirements that are identified in subsections (b) and
20 (c) of this Section, as modified by subsections (d) and (e).

21 * * * *

22 (6) Include a proposed cost-recovery tariff mechanism to
23 fund the proposed energy efficiency and demand-response
24 measures and to ensure the recovery of the prudently and
25 reasonably incurred costs of Commission-approved
26 programs.

27 220 ILCS 5/12-103(f)(3) & (6). In so doing, I will present Rider EDA – Energy
28 Efficiency and Demand Response Adjustment ("Rider EDA") for the approval of the

Illinois Commerce Commission ("Commission" or "ICC"). I will also present estimates of the total amount paid by all retail customers for electric service on a per kilowatt-hour ("kWh") basis and present the results of the computations required under Section 12-103(d) of the Act.

C. Summary of Conclusions

Q. Please summarize the conclusions of your direct testimony.

A. I conclude the following:

1. Rider EDA, which is a cost-tracking rider that will provide for the recovery of all incremental costs incurred by ComEd and pass through the costs incurred by the Department of Commerce and Economic Opportunity ("DCEO"), is just and reasonable, is consistent with the provisions in Section 12-103(e) of the Act, and should be approved.
2. The estimates and computations that ComEd prepared pursuant to Section 12-103(d) of the Act and that affect spending during the three Plan years (June 1, 2008 through May 31, 2009; June 1, 2009 through May 31, 2010; and June 1, 2010 through May 31, 2011), as well as the supporting estimates of the average amounts paid per kWh by retail customers, are reasonable and should be approved by the Commission in this proceeding.

D. Identification of Exhibits

Q. What attachments are incorporated in your direct testimony?

A. I have attached the following exhibits to my testimony:

50 Exhibit 5.1: Projected Revenues, Energy Delivered and Average Total Cost for
51 Electric Service.

52 Exhibit 5.2: Estimated Retail Supply Prices and Estimated Total Average Cost of
53 Electric Service.

54 Exhibit 5.3: Section 12-103(d) Calculations.

55 I also sponsor proposed Rider EDA, which is included as Appendix F to ComEd's 2008-
56 2010 Energy Efficiency and Demand Response Plan ("Plan") (ComEd Ex. 1.0).

57 E. Background and Experience

58 Q. Mr. Crumrine, please summarize your duties and responsibilities in your current position.

59 A. I have served in my current position since July 2000. I am responsible for managing and
60 directing the activities of the Regulatory Strategies & Services Department of ComEd. In
61 this capacity, I am responsible for maintaining and coordinating ComEd's regulatory
62 relationship with Illinois regulatory bodies, including the Commission and its Staff. I
63 also manage activities related to ComEd's coordination of its responses to customer
64 complaints made to the ICC. Finally, I am responsible for the analysis of strategic policy
65 options for ComEd's distribution business. I was involved with all of the restructuring-
66 related changes to ComEd's retail rates during the transition period, as well as serving as
67 a rate design or policy witness for ComEd in numerous ICC proceedings since the
68 changes to the Act were passed in 1997.

69 Q. Mr. Crumrine, please summarize your educational background and professional
70 experience.

71 A. I have both a Bachelor of Science degree in Mathematics and a Master of Science degree
72 in Management from Purdue University. I have been employed by ComEd since 1975.
73 Prior to my current position, I served as ComEd's Access Implementation Manager from
74 March 1998 to July 2000. In that position, I managed a major portion of the development
75 and implementation of ComEd's retail open access tariff charges, as well as worked with
76 the rate and regulatory issues arising from this effort. From February 1994 to March
77 1998, I served as ComEd's Director of Rates. In that position I was responsible for the
78 development and maintenance of ComEd's Illinois-jurisdictional rates. Prior to February
79 1994, I served as ComEd's Director of Strategic Analysis. In that position I was
80 responsible for directing ComEd's load forecasting, class load, and economic analyses.
81 Before that, I was ComEd's Senior System Rate Economist, responsible for the
82 preparation and analysis of ComEd's marginal cost of service study. I was also involved
83 in work related to rate design. Prior to becoming ComEd's Senior System Rate
84 Economist, I held staff positions in the Strategic Analysis Department as a member of the
85 load forecasting staff with responsibilities for econometric and time-series forecasting, as
86 well as related statistical research projects. In addition, I have been employed as a
87 computer analyst at ComEd's Bulk Power Operations Office, as well as at the M.A.I.N.
88 headquarters.

89 II. **Cost-Recovery Tariff Mechanism**

90 A. **Overview of Statutory Requirements**

91 Q. What are the relevant statutory provisions concerning cost recovery?

92 A. Section 12-103(e) of the Act provides, in relevant part:

93 A utility providing approved energy efficiency and demand-
94 response measures in the State shall be permitted to recover costs
95 of those measures through an automatic adjustment clause tariff
96 filed with and approved by the Commission. The tariff shall be
97 established outside the context of a general rate case. Each year the
98 Commission shall initiate a review to reconcile any amounts
99 collected with the actual costs and to determine the required
100 adjustment to the annual tariff factor to match annual expenditures.

101 Each utility shall include, in its recovery of costs, the costs
102 estimated for both the utility's and the Department's
103 implementation of energy efficiency and demand-response
104 measures.

105 220 ILCS 5/12-103(e). Furthermore, Section 12-103(d) of the Act, which is discussed
106 later in my testimony, essentially requires ComEd's Plan year budgets to be designed to
107 fall within certain amounts. I will occasionally refer to the requirements of Section 12-
108 103(d) simply as the "spending screen."

109 Q. From a ratemaking perspective, what guidance do these provisions of the Act provide
110 ComEd in designing a cost-recovery mechanism?

111 A. From a ratemaking perspective, these provisions offer the following guidance:

112 1. **Timely Cost Recovery:** That Section 12-103(e) explicitly provides for
113 the creation of a cost-recovery mechanism outside of a general rate case
114 suggests that the intent is to address regulatory lag and provide for timely
115 cost recovery for utilities.

116 2. **Complete Cost Recovery:** The spending screen suggests that all of the
117 additional costs incurred by ComEd associated with the energy efficiency
118 and demand response measures implemented under the Plan should be
119 tracked and recovered. In other words, the incremental costs incurred by

120 ComEd should not be ignored or hidden in test year revenue requirements
121 for delivery services when determining whether the spending screen has
122 been exceeded. Furthermore, Section 12-103(e) suggests the need for a
123 cost-tracking rider that will true-up actual costs and revenues on a dollar-
124 for-dollar basis.

125 **B. Rider EDA – Energy Efficiency and Demand Response Adjustment**

126 Q. What is Rider EDA?

127 A. Rider EDA (ComEd Ex. 1.0, Appendix F) is a cost-tracking rider that was designed to
128 fulfill the requirements of Section 12-103 of the Act. Rider EDA is being established
129 outside of a general rate case and will provide for the recovery of all incremental costs
130 incurred by ComEd associated with energy efficiency and demand response plans
131 approved by the Commission and implemented by ComEd. The rider will also pass
132 through the costs of such plans approved by the Commission and implemented by DCEO
133 for ComEd customers. Rider EDA also provides for annual reconciliation proceedings to
134 true-up the actual costs incurred with the revenues obtained through the application of the
135 charge, as discussed further below.

136 Q. What is the Energy Efficiency and Demand Response Adjustment (“EDA”)?

137 A. Under Rider EDA, cost recovery will be achieved through the application of a single
138 charge, the EDA, to all customers’ bills beginning with the June 2008 billing period.
139 Stated in cents per kWh, the EDA generally will be effective for the twelve monthly
140 billing periods for which it is calculated, but may be revised as needed to better align
141 actual costs with cost recovery. Both Rider EDA and the formula contained therein for
142 the computation of the EDA were modeled after Rider ECR – Environmental Cost

Recovery Adjustment, and the Environmental Cost Recovery Adjustment formula, which was recently approved by the Commission in Docket No. 05-0597.

Q. How is the EDA calculated?

A. Under the formula contained in Rider EDA, the EDA essentially will be determined for the June 2008 through May 2009 billing periods by taking the difference between the program cost projections ("Projected Costs") and any expected funds (*i.e.*, revenues) from other sources ("Reimbursements of Incremental Costs") for the Plan year and dividing this quantity by the forecasted kWh energy deliveries ("Projected Energy"). This provides an appropriate mechanism for ComEd to recover its expected net costs for an annual period.

For the period June 2009 through May 2010 and all subsequent twelve-month periods, the EDA will be computed in a similar fashion; however, the charge also will reflect an automatic true-up of the actual net Plan costs and the recoveries from the application of the EDA during the previous twelve-month period (the "Automatic Reconciliation Factor"). Rider EDA also establishes an "Ordered Reconciliation Factor," which will reflect any amounts ordered by the Commission to be refunded or collected from customers as a result of the annual reconciliation process. The EDA charge will be filed with the Commission for informational purposes on May 20th of each year beginning in 2008.

Q. What costs does ComEd intend to recover through the EDA?

A. The definition of "Incremental Costs" in Rider EDA generally outlines the costs ComEd seeks to recover through the tariff. The direct testimony of James C. Eber (ComEd Ex.

3.0) describes the costs associated with the proposed expansion of Rider AC7 – Residential Air Conditioner Load Cycling Program 2007 (“Rider AC7”), which encompasses the Nature First demand response program. The direct testimony of Michael S. Brandt (ComEd Ex. 2.0) and the Plan itself (ComEd Ex. 1.0) generally describe the costs associated with the proposed energy efficiency programs.

Q. Will any costs be amortized or capitalized for recovery purposes?

A. Yes. Similar to the treatment of rate case expenses, the definition of “Incremental Costs” provides for the amortization of certain costs, such as consultative and legal costs related to the development and Commission approval of plans, over a three-year period. The purpose of such treatment is to spread such costs evenly over each three-year planning period covered by a plan. This amortization approach is a fair way to spread costs over the years for which the plan was developed and does not detract unduly from first year programs as would occur if those costs were not amortized over a multiple year period.

The definition of “Incremental Costs” also provides for the recovery of the revenue requirement equivalent for capital investments, including a return of and on such investments. As discussed in Mr. Eber’s direct testimony (ComEd Ex. 3.0), such ratemaking treatment initially will be limited to direct load control devices and installation labor associated with the proposed expansion of ComEd’s existing residential demand response program, Rider AC7. However, such treatment may be expanded to include other capital investments under future three-year plans filed by ComEd. The purpose of such treatment is to spread the cost recovery of such long-lived capital assets over their useful lives, as is done for ComEd’s other investments in capital assets. In addition, this treatment recovers those costs over numerous plan years instead of

188 recovering them all during the twelve-monthly billing period in which the devices are
189 installed, which would likely limit ComEd's short and long-term ability to pursue capital
190 intensive programs under the provisions of Section 12-103(d), as discussed later in my
191 testimony. The direct testimony of Martin G. Fruehe (ComEd Ex. 4.0) discusses the
192 computation of the revenue requirement equivalent for capital investments related to
193 Rider AC7 expansion.

194 Q. What additional revenues does ComEd expect to reflect in the computation of the EDA?

195 A. At this point, the only revenues that ComEd expects to reflect in the "Reimbursement of
196 Incremental Costs" are those derived from PJM Interconnection, L.L.C. ("PJM") for the
197 incremental expansion of demand response capabilities under Rider AC7. Mr. Eber's
198 direct testimony (ComEd Ex. 3.0) discusses these revenues further. Nevertheless, in the
199 future, the EDA will reflect revenues that ComEd obtains from any sources other than the
200 EDA charges themselves that are directly related to the approved programs, whether
201 through the projected "Reimbursement of Incremental Costs" or the "Automatic
202 Reconciliation Factor" term of the EDA formula.

203 Q. Does Rider EDA address the recovery of uncollectibles associated with the EDA charge?

204 A. Yes. As shown in the EDA formula, ComEd will gross up the EDA charge by a system
205 average uncollectible factor. For purposes of the annual report, which is discussed
206 further below, ComEd will prepare a reconciliation statement that compares actual
207 Incremental Costs to the accrued revenues stemming from the EDA charge, which will be
208 determined using the charge before the application of the Uncollectible Factor. As a
209 result, ComEd will obtain some recovery of uncollectibles, but it will not be dollar-for-
210 dollar recovery, as it will be for the Incremental Costs themselves. This is the same

approach that previously has been approved for the recovery of uncollectibles associated with supply charges by the Commission.

The "Uncollectible Factor" will be initially set at 1.0072, which is based on computations approved in ComEd's last rate case. (See ICC Docket No. 05-0597, ComEd Ex. 10.8). However, the "Uncollectible Factor" will be tied to the system average factor that is proposed to be applicable to Rate BES-H – Basic Electric Service – Hourly Energy Pricing ("Rate BES-H") customers under Rider UF – Uncollectible Factors, which has been proposed in ComEd's recent rate case filing.

Q. Does Rider EDA provide for an annual Commission review process?

A. Yes. Rider EDA provides for the filing of an annual report by August 31st of each year beginning in 2009. The annual report shall include testimony regarding the reasonableness and prudence of ComEd's costs, an internal audit verified by an officer of ComEd and a reconciliation statement. Under Section 12-103(e) of the Act, the ICC is obliged to initiate a review to reconcile amounts collected with actual costs after such report is filed.

Q. Would Rider EDA enable ComEd to double-recover its costs?

A. No. None of the incremental costs that ComEd intends to recover through Rider EDA are currently reflected in the revenue requirement ComEd has proposed in its October 17, 2007 rate case filing. Furthermore, the scope of the internal audit to be included in ComEd's annual report was developed with input from Commission Staff and specifically includes an examination of whether costs are being recovered under tariffs other than Rider EDA.

233 **III. Computations Required by Section 12-103(d)**

234 **A. Overview of Statutory Requirements**

235 Q. Are there any guidelines regarding the amount that ComEd can spend on energy
236 efficiency and demand response measures during a particular year of ComEd's Plan?

237 A. Yes. Section 12-103(d) of the Act essentially requires that ComEd design its portfolio of
238 energy efficiency and demand response measures to fall within a "spending screen" for a
239 given Plan year. ComEd's Plan year budgets must be designed to fall within certain
240 amounts, which are determined as follows:

241 [A]n electric utility shall reduce the amount of energy efficiency
242 and demand-response measures implemented in any single year by
243 an amount necessary to limit the estimated average increase in the
244 amounts paid by retail customers in connection with electric
245 service due to the cost of those measures to:

246 (1) in 2008, no more than 0.5% of the amount paid per
247 kilowatthour by those customers during the year ending May 31,
248 2007;

249 (2) in 2009, the greater of an additional 0.5% of the amount
250 paid per kilowatthour by those customers during the year ending
251 May 31, 2008 or 1% of the amount paid per kilowatt hour by those
252 customers during the year ending May 31, 2007; [and]

253 (3) in 2010, the greater of an additional 0.5% of the amount
254 paid per kilowatthour by those customers during the year ending
255 May 31, 2009 or 1.5% of the amount paid per kilowatthour by
256 those customers during the year ending May 31, 2007.

257 220 ILCS 5/12-103(d)(1)-(3). With respect to the computation of the total amount paid
258 for electric service per kWh, Section 12-103(a) provides, in relevant part:

259 For purposes of this Section, the total amount paid for electric
260 service includes without limitation estimated amounts paid for
261 supply, transmission, distribution, surcharges, and add-on taxes.

262 220 ILCS 5/12-103(a).

B. Estimating the Average Amount Paid per kWh by Retail Customers

Q. What was the first step taken by ComEd in computing the spending screens, as required by Section 12-103(d)?

A. The first step taken by ComEd was to estimate the average amount paid per kWh for electric service by all retail customers for each of the three twelve-month periods: June 1, 2006 through May 31, 2007; June 1, 2007 through May 31, 2008; and June 1, 2008 through May 31, 2009. ComEd's estimates of the average amount paid per kWh for electric service by all retail customers during these three twelve-month periods, including estimates of kWh deliveries, are summarized in ComEd Exhibit 5.1 and shown in greater detail in ComEd Exhibit 5.2.

Q. How did ComEd calculate the amounts paid for electric service that are reflected in ComEd Exhibit 5.1?

A. ComEd estimated the amounts paid for supply, transmission, distribution, surcharges and add-on taxes for each of ComEd's fifteen distribution rate classes based on actual historical revenues or forecasted revenues using current charges from ComEd's tariffs. For each of the twelve-month periods, the sum of each of the fifteen classes' estimated retail revenues was then divided by the sum of each of the fifteen classes' estimated energy delivered, using either historic or forecasted energy delivered, as applicable. The result of these computations is a single estimated average amount paid per kWh by all retail customers for electric service, which are 8.430, 8.739 and 9.263 cents per kWh for the three twelve-month periods ending on May 31st of 2007, 2008 and 2009, respectively.

284 Q. How did ComEd factor customer switching to Retail Electric Suppliers (or "RESs") for
285 power and energy supply into the computation of the total amounts paid for electric
286 service by such customers?

287 A. ComEd is not privy to the terms of agreements under which customers purchase power
288 and energy supply from a RES, including price. However, it is my understanding that
289 Section 12-103(a) still requires ComEd to include an amount paid for supply by
290 customers that switch from ComEd's fixed-rate, bundled service within its estimate of the
291 average amount paid for electric service per kWh. Because ComEd does not know the
292 price that RES customers pay for their energy supply, ComEd was obligated to estimate
293 those amounts. ComEd also had to estimate the amount paid for supply by customers
294 taking hourly service from ComEd under Rate BES-H.

295 Q. How did ComEd estimate the average amount paid for power and energy supply by
296 customers that switched from ComEd's fixed-price, bundled service?

297 A. ComEd's estimates of the average supply prices are reflected in ComEd Exhibit 5.2. For
298 delivery classes in which some switching from ComEd's fixed-price, bundled service has
299 occurred or is expected to occur, the average amounts paid for supply by such non-
300 residential customers were computed using a weighted average of the amounts paid for
301 supply under (1) the applicable ComEd fixed-price, bundled service tariffs and (2) a
302 "market value approach," which I will discuss further. Switching levels from ComEd's
303 fixed-price, bundled service (in kWh) were used to weight the results of both
304 calculations.

305 For example, if forty percent of the kWh delivered to Medium Load delivery
306 customers (*i.e.*, those with demands of 100 to 400 kilowatts) were not, or were not

307 expected to be, supplied under ComEd's fixed-price bundled service tariffs during a
308 given time period, then the average amount paid for supply by such class was determined
309 by weighting the total amounts paid assuming (1) all such customers were supplied at the
310 applicable ComEd fixed-price, bundled service rates (60% weighting) during such period
311 and (2) all such customers were receiving market-based supply prices during such period,
312 as determined using the market value approach (40% weighting).

313 For delivery classes in which there is no ComEd fixed-price, bundled service
314 available during a given time period due to competitive declarations made by or under
315 Section 16-113 of the Act (*e.g.*, the period beginning January 2, 2007 for non-residential
316 customers generally with demands over 3 megawatts, and the period beginning with the
317 June 2008 monthly billing period for customers generally with demands over 400
318 kilowatts), no such weighting was employed. Rather, the amounts paid for supply were
319 determined using solely the market value approach.

320 Q. What is ComEd's "market value approach"?

321 A. This market value approach is based on: (1) actual and forecasted Locational Marginal
322 Prices ("LMP") for the ComEd Zone of PJM, beginning September 2007 and adjusted for
323 each delivery class's annual load shape, which was provided by the NorthBridge Group;
324 (2) forecasted capacity costs adjusted for each delivery class' annual contribution to the
325 peak load, which was also provided by the NorthBridge Group; and (3) estimated
326 ancillary service costs utilizing the current ancillary service costs from the retail supply
327 charge computation for both the CPP Annual Segment and the CPP Blended Segment, as
328 provided in Rider CPP -- Competitive Procurement Process. (*See* direct testimony of
329 Frank S. Huntowski, ComEd Ex. 8.0). Such estimated retail supply costs may not

330 include all actual or estimated costs for the components of such supply. The adjustments
331 described above were based on ComEd's Load and Loss Study for the twelve-month
332 period ending October 31, 2006.

333 Q. Is there precedent in recent history for the development and use of this type of approach
334 to estimating market value?

335 A. Yes. Although the approach ComEd is utilizing in this case has been updated to reflect
336 developments in the underlying market structure, this mechanism is very similar to the
337 approach that ComEd used during the recently completed transition period for calculating
338 market values and transition charges. Thus, this is a reasonable approach given ComEd's
339 need to estimate supply price data in its calculations.

340 Q. Were there any other uses for the estimated supply price data?

341 A. Yes. These data also were used for a portion of the estimated supply costs paid by retail
342 customers taking ComEd's fixed-price, bundled service during the twelve-month period
343 ending May 31, 2009. Specifically, one-third of the estimated supply charges to be paid
344 by ComEd's fixed-price, bundled service customers during the period June 1, 2008
345 through May 31, 2009 (which represents the amount of supply not covered during that
346 period by the contracts entered into pursuant to the Illinois Auction process), was
347 determined using the same market prices estimates used to determine the estimated
348 amounts RESs might charge their customers for supply.

349 C. **Calculating the Spending Screens**

350 Q. Once the average amount paid per kWh by all retail customers was determined, what was
351 the next step of your calculations?

352 A. The next step was to calculate the spending amounts prescribed by Section 12-103(d)(1)
353 – (3) in dollars per Plan year. As reflected in ComEd Exhibit 5.3, the estimated spending
354 screens for each Plan year are \$39.4 million, \$81.6 million, and \$126.7 million,
355 respectively, or a total of \$247.6 million for the three Plan years.

356 Q. Is ComEd seeking Commission approval of these amounts based on the estimates and
357 computations presented in your direct testimony?

358 A. Yes. Mr. Brandt's direct testimony (ComEd Ex. 2.0) addresses why ComEd is seeking
359 Commission approval in its order entered in this proceeding to fix the amounts set forth
360 in ComEd Exhibit 5.3 for the three Plan years.

361 IV. **Cost Recovery and "Banking"**

362 Q. Is it possible that ComEd's expenditures on energy efficiency and demand response
363 during a Plan year may exceed the amount prescribed by Section 12-103(d)?

364 A. Yes.

365 Q. What would cause ComEd to incur costs in excess of the amounts prescribed in Section
366 12-103(d) of the Act?

367 A. There are a couple of circumstances under which expenditures for a Plan year may
368 exceed the amounts prescribed by Section 12-103(d). Mr. Brandt (ComEd Ex. 2.0)
369 discusses those circumstances. One scenario that Mr. Brandt discusses involves a
370 situation where ComEd's actual expenditures for a given Plan year exceed the amounts
371 prescribed by Section 12-103(d) because ComEd does not turn program participants
372 away and, as a result, ComEd also exceeds the goals for energy efficiency and/or demand
373 response for such Plan year. This scenario is directly connected to Mr. Brandt's request

to be able to carry forward or "bank" the resulting over-compliance with the goals and apply it toward the subsequent year's goals.

Q. If ComEd exceeds the energy efficiency or demand response goals and, in so doing, exceeds the amounts prescribed by Section 12-103(d) for such Plan year, what would be the impact on the EDA charges under Rider EDA?

A. Assuming that the Commission approves ComEd's banking proposal and ultimately found the total costs incurred for such Plan year to be prudent and reasonable as part of the annual reconciliation proceeding, then the rate impact on customers would be offset, to some extent, by a reduction in future expenditures that would result from the "banking" and by operation of the EDA formula in Rider EDA. I will illustrate how the Rider EDA formula would work in such a situation.

For the sake of simplicity, let us assume that (1) ComEd's recoveries through the EDA charge almost exactly equal its actual net costs for the twelve-month period, but (2) ComEd distributes 1,000,000 compact fluorescent light bulbs ("CFLs") more than needed to meet the goal for such Plan year and, as a result, exceeds the amount prescribed by Section 12-103(d) for such Plan year by \$2,000,000. In such a scenario, the \$2,000,000 shortfall would be reflected in the "Automatic Reconciliation Factor" term of the formula used to compute the EDA charge for the subsequent Plan year, but would be offset by a \$2,000,000 dollar reduction in the "Projected Costs" because the amount by which ComEd exceeded the previous Plan year's goal (*i.e.*, the value of the additional 1,000,000 CFLs) would be "banked." Thus, under this simple scenario, the costs carried over from one Plan year would be completely offset by virtue of being able to carry forward the over-compliance with the previous Plan year's goal in the computation of the EDA

397 charge for the subsequent Plan year, and the program budget for the subsequent Plan year
398 would continue to fall within the amount prescribed by Section 12-103(d).

399 Of course, the operation of the proposed programs is not as simple as I describe in
400 the scenario above, and depending on the exact circumstances, the amounts of the costs
401 carried forward and the corresponding reduction to the subsequent year's budget may or
402 may not cancel each other out exactly in the computation of future EDAs. However, to
403 the extent they do, ComEd essentially would just be drawing upon future Plan year
404 dollars early from a ratemaking perspective.

405 Q. Does this conclude your direct testimony?

406 A. Yes.

June 1, 2008 through May 31, 2009

June 1, 2007 through May 31, 2008

June 1, 2003 through May 31, 2007

| Distribution Delivery Class | | | | (A) = (B) * (C) | (B) | (C) | (D) = (E) * (F) | (E) | (F) | (G) = (H) * (I) | (H) | (I) |
|--------------------------------|--|--|---|--------------------------------|----------------------------------|--|--------------------------------|----------------------------------|--|--------------------------------|----------------------------------|--|
| | | | | Estimated Retail Revenues (\$) | Estimated Energy Delivered (MWh) | Average Total Cost for Electric Service (\$/kWh) | Projected Retail Revenues (\$) | Projected Energy Delivered (MWh) | Average Total Cost for Electric Service (\$/kWh) | Projected Retail Revenues (\$) | Projected Energy Delivered (MWh) | Average Total Cost for Electric Service (\$/kWh) |
| | | | Single Family Without Electric Space Heat | \$2,519,965,344 | 21,810,757 | 10.912 | \$2,441,332,787 | 22,343,041 | 10.968 | \$2,481,752,423 | 22,944,636 | 11.066 |
| | | | Multi-Family Without Electric Space Heat | \$451,321,514 | 4,411,745 | 10.230 | \$585,454,610 | 4,963,907 | 11.995 | \$532,450,002 | 4,489,254 | 11.904 |
| | | | Single Family With Electric Space Heat | \$1,717,113,132 | 1,843,785 | 9.304 | \$1,567,760,805 | 1,715,310 | 9.139 | \$1,737,071,112 | 1,872,619 | 9.285 |
| | | | Multi-Family With Electric Space Heat | \$1,837,974,534 | 1,897,245 | 9.702 | \$1,553,400,515 | 1,693,465 | 9.197 | \$1,775,244,176 | 1,715,244 | 9.895 |
| | | | Small Town (0 to 100 kW) | \$119,841,152 | 1,049,227 | 10.424 | \$65,917,912 | 915,374 | 12.716 | \$710,590,043 | 559,855 | 12.722 |
| | | | Small Town (101 to 100 kW) | \$1,071,511,182 | 1,322,233 | 8.098 | \$1,101,067,539 | 1,149,632 | 9.579 | \$1,120,155,424 | 1,151,070 | 9.585 |
| | | | Large Town (101 to 100 kW) | \$1,322,316,018 | 1,452,337 | 9.106 | \$1,420,880,524 | 1,548,684 | 9.257 | \$1,459,186,434 | 1,615,915 | 9.030 |
| | | | Large Town (101 to 100 kW) | \$772,949,460 | 9,876,565 | 7.775 | \$752,898,453 | 10,541,669 | 7.243 | \$876,631,371 | 11,569,515 | 7.577 |
| | | | Extra Large Load (1 MW to 10 MW) | \$1,322,655,980 | 10,102,032 | 8.711 | \$1,444,584,656 | 17,835,617 | 7.805 | \$1,626,139,448 | 19,583,045 | 8.278 |
| | | | Extra Large Load (> 10 MW) | \$1,636,000,176 | 15,003,481 | 8.910 | \$2,501,160,692 | 4,556,617 | 6.860 | \$27,242,616 | 4,300,774 | 7.416 |
| | | | Small Voltage | \$18,967,656 | 7,003,481 | 2.706 | \$20,917,404 | 4,556,617 | 6.889 | \$41,116,769 | 7,707 | 7.107 |
| | | | Medium Voltage | \$39,267,656 | 1,003,481 | 3.916 | \$42,251,152 | 4,556,617 | 9.337 | \$46,690,419 | 4,873,323 | 9.583 |
| | | | Feeder-Include Lighting | \$24,941,156 | 14,041,655 | 1.776 | \$27,357,324 | 4,556,617 | 6.014 | \$36,560,498 | 21,153 | 1.743 |
| | | | Feeder-Exclude Lighting | \$24,941,156 | 14,041,655 | 1.776 | \$27,357,324 | 4,556,617 | 6.014 | \$36,560,498 | 21,153 | 1.743 |
| | | | Trunk-to-Trunk Lighting | \$24,941,156 | 14,041,655 | 1.776 | \$27,357,324 | 4,556,617 | 6.014 | \$36,560,498 | 21,153 | 1.743 |
| | | | Trunk-to-Trunk Lighting | \$24,941,156 | 14,041,655 | 1.776 | \$27,357,324 | 4,556,617 | 6.014 | \$36,560,498 | 21,153 | 1.743 |
| | | | Service Lighting | \$7,926,519 | 59,559 | 7.597 | \$10,160,388 | 151,612 | 67.162 | \$39,108,708 | 819,748 | 7.706 |
| | | | | \$7,720,719,326 | 91,583,029 | 8.430 | \$8,141,366,216 | 95,153,594 | 8.739 | \$8,643,692,347 | 98,793,606 | 9.271 |
| Total for all Retail Customers | | | | | | | | | | | | |

This submission contains "forward-looking" statements that are based upon forecasts or assumptions about possible or expected results, events or conditions that may occur or exist in the future, including assumptions for forecasts of supply costs, load and revenue and the effects of demand response and other programs. These forecasts and assumptions are subject to a number of risks and uncertainties, many of which are beyond the control of ComEd, and no assurances can be given that the forecasted or assumed results, events or conditions will occur or exist or will have the expected effects. A number of factors could cause actual results to differ materially from the forward-looking statements presented in this submission. ComEd disclaims any responsibility to update the information in this submission to reflect events or circumstances that arise or are anticipated to arise after the date of this submission. The forecasts and assumptions reflected in this submission are not necessarily the same as those used by ComEd and its affiliates in their financial planning and forecasting models. Investors are therefore cautioned not to place undue reliance on the forward-looking statements contained in this submission but are advised, instead, to refer to and rely solely upon reports and other information filed by ComEd and its affiliates with the Securities and Exchange Commission. Finally, no increase in ComEd's distribution services rates was assumed, based on the rate increase approved by the Illinois Public Service Board on October 17, 2007, is fully merititious, and there may be other rate increase requests during the planning period. However, this assumption was a conservative measure by ComEd that resulted in a lower "spending screen" and a potentially lower impact on customer rates in this context. Moreover, ComEd believes that it can achieve the salutary goals within the lower spending budget.

ESTIMATED RETAIL SUPPLY PRICES FOR THE DETERMINATION OF THE ESTIMATED AVERAGE TOTAL COST OF ELECTRIC SERVICE
(based on the twelve-month period ending May 31 of the noted year)

Notes

This submission contains "forward-looking" statements that are based upon forecasts or assumptions about possible or expected results, events or conditions that may occur or exist in the future, including assumptions or forecasts of supply needs, lead and revenue and the effects of demand response and other programs. These forecasts and assumptions are subject to a number of risks and uncertainties, many of which are beyond the control of ComEd, and no assurances can be given that the forecasted or assumed results, events or conditions will occur or exist or will have the expected effects. A number of factors could cause actual results to differ materially from the forward-looking statements presented in this submission. ComEd disclaims any responsibility to update the information in this submission to reflect events or circumstances that arise or are anticipated to arise after the date of this submission. The forecasts and assumptions in this submission are not necessarily the same as those used by ComEd and its affiliates in their financial planning and forecasting models. Investors are therefore cautioned not to place undue reliance on the forward-looking statements contained in this submission but, instead, to refer to and rely solely upon reports and other information filed by ComEd and its affiliates with the Securities and Exchange Commission. Finally, no increase in ComEd distribution services rates was assumed. ComEd believes that its requested rate increase, filed Oct. 17, 2007, is fully meritorious, and there may be other rate increase requests during the planning period. However, this assumption was a conservative measure. ComEd believes that it can achieve the statutory goals within the lower resulting budget.

Section 12-103(d) Calculations

| Year of the Plan (Beginning in June) | 12 Month Period | (A) Estimated Average Total Cost for Electric Service excluding proposed EE/DR charge (\$ /kWh) | (B) = (A) + (R) Estimated Average Total Cost for Electric Service including proposed Rate Screen (\$/kWh) | (C) Projected Energy Delivered Adjusted to Reflect Energy Efficiency Goals (MWh) |
|---|-----------------------------------|---|--|---|
| NA | June 1, 2006 through May 31, 2007 | 8,430 | 8,430 | 91,593,023 |
| NA | June 1, 2007 through May 31, 2008 | 8,739 | 8,739 | 93,163,604 |
| 2008 | June 1, 2008 through May 31, 2009 | 9,221 | 9,263 | 93,737,606 |
| 2009 | June 1, 2009 through May 31, 2010 | NA | NA | 94,980,477 |
| 2010 | June 1, 2010 through May 31, 2011 | NA | NA | 95,952,838 |

| Year of the Plan (Beginning in June) | (D) Rate Screen % | (E) Rate Screen for May 2007 (\$/kWh) | (F) = (B) * (.5%) + (E *) Rate Screen (.5%) for May of Preceding Year + Previous Year's Rate Screen (\$/kWh) | (G) = MAX OF (E) or (F) Rate Screen (\$ /kWh) | (H) = (C) * 100% (G) / 100 Spend Screen Adjusted to Reflect Energy Efficiency Goals |
|---|----------------------|---|--|--|--|
| 2008 | 0.5% | 0.042 | 0.042 | 0.042 | \$39,359,795 |
| 2009 | 1.0% | 0.084 | 0.086 | 0.086 | \$81,697,210 |
| 2010 | 1.5% | 0.126 | 0.132 | 0.132 | \$126,557,878 |
| | | | | | \$247,624,883 |

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